

memo

to Anne Catlin, Matthew Ruetters & Beth Freeland, City of Albany
from Kate Rogers & Matt Hastie, MIG|APG
cc Brendan Buckley, Johnson Economics
re **Albany Housing Implementation Plan
Background Report & Draft HIP, Part 2**
date 9/9/2022

I. Introduction

Project Overview

The purpose of the Albany Housing Implementation Plan (HIP) is to identify a set of policies and tools that the City of Albany can implement in order to facilitate housing development that meets the needs of the community. The HIP will prioritize current and future housing needs and will outline equitable and actionable policies, strategies, and implementation steps needed to encourage the production of needed housing.

The project goals and objectives are to:

- Identify and assess policies and strategies to increase housing options and opportunities that meet the needs of Albany residents as projected in the City's 2020 Housing Needs Analysis.
- Identify housing resources and constraints, including evaluation of existing strategies and recommendations for new actions to increase housing supply or provide regulatory streamlining.
- Engage a broad spectrum of the community in conversations and input around housing needs and strategies using a variety of engagement strategies.
- Adopt policies and tools that promote fair and equitable housing choices for all residents, especially residents of protected classes and those experiencing housing insecurity.

The outcome of the project will be recommendations for adoption of a range of housing strategies, including amendments to the Albany Development Code. The HIP will also provide the foundation for updating the Housing element of the Albany Comprehensive Plan.

This *Background Report and Draft Housing Implementation Plan* provides a preliminary summary and evaluation of various strategies, tools, and policies that the City may consider as part of its Housing Implementation Plan. Further description of the contents of this report are provided in Section II.

This document represents "Part 2" of this effort. A companion "Part 1" document described additional potential strategies, as described below. That report also included more background information on current housing needs in Albany and recent City efforts to address those needs.

II. Housing Strategies Overview

This report provides a preliminary summary and evaluation of various strategies, tools, and policies that the City of Albany and its partners could employ to facilitate housing development that meets the current and future housing needs of the community. As a starting point, the project team assembled an initial list or “menu” of potential strategies that was derived from the following sources:

- Recommendations from the Housing Strategies Report that accompanied the City’s 2020 HNA.
- The master list of housing Tools, Actions, and Policies that the Oregon Department of Land Conservation and Development (DLCD) assembled as a resource for local governments in preparing Housing Production Strategies.¹
- Ideas from City of Albany staff and local housing stakeholders.

The project team reviewed the initial, more exhaustive, strategies menu with the Housing Affordability Task Force (HATF), who helped refine and prioritize the list. The strategies considered in this report are those that HATF members and the project team saw as having the most merit. These strategies will be further refined through the evaluation process and through additional discussion with the HATF and other community engagement efforts.

What’s in the Report

This report provides background information for the strategies and takes a closer look at the potential impacts to housing supply/affordability and steps needed for implementation. The report goes into greater detail for those strategies identified as higher-priority (based on HATF and staff input) and provides a more high-level summary for low-priority strategies.

The summary of each housing strategy includes the following information:

Description What is the strategy? How can the strategy work to increase housing availability and affordability in Albany? What are potential outcomes?

Legal Basis Are there any legal backings/requirements that are needed to allow for or implement the strategy?

Options and Alternatives Are there any alternative ways to implement the strategy related to fees, regulatory standards, or other variables?

Issues or Constraints What opportunities, constraints or negative issues may be associated with adoption of the housing policy or strategy?

Impact What populations, income levels, and housing types are supported? Anticipated impact on the relative cost, financial feasibility, and affordability of housing are discussed.
[More in-depth for higher-priority strategies.]

Implementation Actions What actions will the local government and other stakeholders need to take to implement the strategy?
[NOTE: The implementation actions are relatively high-level at this stage in the

¹ Oregon DLCDC, HPS Tools, Actions, and Policies. https://www.oregon.gov/lcd/UP/Documents/660-008-0050_HPS_List_Tools_Actions_Policies.pdf

HIP process. The project team will go into more detail for higher-priority strategies in a later version of the HIP once the strategies have been refined.]

In researching the housing strategies, the consultant team relied on its own research conducted for Albany and other jurisdictions in Oregon, on similar reports prepared for other communities, and on best practices and case study research for housing policies and programs in Oregon and beyond.

Two-Part Report

This report constitutes Part 2 of a two-part report. Part 1 looked at strategies in the following two categories:

1. Development Code / Regulatory Strategies
2. Policy and Land Supply Strategies

Part 2 describes strategies in the remaining three categories:

3. Financial and Regulatory Incentives
4. Funding Sources
5. Programs and Partnerships

A summary table of the strategies included in both Parts 1 and 2 is provide below.

Table 1. Summary of Housing Strategies

	Strategy	Page #	Initial Priority
1. DEVELOPMENT CODE / REGULATORY STRATEGIES (Report Part 1)			
1.1	Ensure Land Zoned for Higher Density is not Developed at Lower Densities	-	Medium
1.2	(Incentivize) Smaller units with Smaller Lots/Prorate Density Calculations	-	High
1.3	Evaluate Existing Development Standards	-	Medium-High
1.4	Flexibility for Accessory Dwelling Units (ADUs)	-	Low
1.5	Encourage Tiny Homes and Villages	-	Medium
1.6	Legalize Alternative Housing Types on Wheels and in Parks	-	Low
1.7	Zoning Incentives for Affordable or Workforce Housing	-	Medium
1.8	Provisions for Single Room Occupancy (SRO) Housing	-	Medium-High
1.9	Evaluate mixed use and commercial zones for housing capacity	-	Low
1.10	Mixed Housing Types / Income Levels in Planned Developments	-	Low
1.11	Inclusionary Zoning	-	Low
1.12	Incentivize and Promote Accessible Design	-	Medium
1.13	Require Accessible Design for Publicly Supported Units	-	Medium
2. POLICY AND LAND SUPPLY STRATEGIES (Report Part 1)			
2.1	Rezone and Redesignate Land	-	Low
2.2	Surplus Land for Affordable/Needed Housing	-	High
2.3	Land Banking	-	Low-Medium

	Strategy	Page #	Initial Priority
3. FINANCIAL AND REGULATORY INCENTIVES (<i>Report Part 2</i>)			
3.1	Pre-Approved Plan Sets for Middle Housing and/or ADUs	5	Low-Medium
3.2	Tax Abatements	7	High
3.3	System Development Charge (SDC) Deferrals, Exemptions or Reductions	10	High
3.4	Expedited Permitting for Affordable/Needed Housing	13	Low
4. FUNDING SOURCES (<i>Report Part 2</i>)			
4.1	Construction Excise Tax (CET)	15	Medium-High
4.2	General Obligation Bonds for Affordable Housing	17	Medium
4.3	Tax Increment Financing (TIF)	19	Medium
4.4	Federal CDBG and HOME Funding	21	Low
4.5	Demolition Taxes	23	Medium
5. PROGRAMS AND PARTNERSHIPS (<i>Report Part 2</i>)			
5.1	Public-Private Partnerships (PPPs)	25	Medium-High
5.2	Support for Existing Affordable Housing and Residents	28	Medium
5.3	Providing Information and Education to Small Developers	30	Low-Medium
5.4	Conversion of Underperforming or Distressed Commercial Assets	31	Low
5.5	Housing Trust Fund	33	Medium

III. Housing Strategy Summaries & Evaluation

CATEGORY 3. FINANCIAL AND REGULATORY INCENTIVES

The following incentive strategies are intended to make development of housing—particularly affordable housing—more feasible or financially viable by reducing fees or other costs and by reducing process barriers.

3.1 Pre-Approved Plan Sets for Middle Housing and/or ADUs

INITIAL PRIORITY: LOW-MEDIUM

Description Pre-approved building and site plans are plan sets that have been reviewed in advance for conformance with zoning and building codes. Pre-approved plan sets can reduce housing development costs by reducing design and permit process times and fees.

This strategy might encourage homeowners to build an ADU in cases where the homeowner does not have the resources or desire to hire an architect to produce a custom design.

For middle housing, pre-approved plans may attract developers that typically develop only single-family housing to get into missing middle housing production.

For pre-approved plan sets, the Building Department may decrease the charges (plan check fee) and decrease the approval time for applicants. The City Building Official has indicated that they would support reduced costs.

Cities in Oregon, Washington, and elsewhere in the U.S. have used this approach to streamline the development review process, providing an incentive for certain types of housing development. Some of the plan programs also seek to promote improved residential design that fits a neighborhood context. This often works best for simpler types of development and could work especially well for ADU plans. Below are examples of this approach in other cities.

- **Eugene, OR:** In 2021, the City of Eugene launched a Pre-Approved ADU Program. The City created two pre-approved accessory dwelling unit plans that are available to download for free from the City's website. These plans include options for variations in exterior materials and roof style. The City also plans to add additional plans in an online library created by local architects. Property owners will still need to develop a site plan and pay applicable fees, however using the pre-approved ADU plans saves the cost of plan review fees, in addition to saving time by streamlining the process.²
- **Portland, OR:** In 2007, Portland developed a set of housing prototype plans geared toward infill development on small sites in low- and medium-density

² Pre-Approved Accessory Dwelling Unit (ADU) Plans Program, City of Eugene. <https://www.eugene-or.gov/4707/Pre-Approved-ADU-Plans>

multi-dwelling zones. Portland’s Infill Design Project objective was to improve design outcomes for smaller-scale infill development in existing neighborhoods and to facilitate development of smaller-scale housing that could meet the needs of families with children. Portland solicited prototype designs from architects through a competitive process. The prototypes were designed to be suitable for common infill situations, to meet City regulations and design objectives, and to be feasible from a market perspective. The housing prototypes covered development forms including cottage cluster, cottage court, rowhouses, townhouses, house-plexes (a multi-unit building that resembles a large house), and courtyard flats.³ While Portland’s code has undergone significant changes since that time and the prototypes are now outdated, the former program still serves as an example that could be replicated in other cities.

- **Roanoke, VA:** Roanoke’s Residential Plans Library is a database of professionally designed residential building plans available for purchase that complement the character of Roanoke’s neighborhoods. The plans are all pre-approved for compliance with the Neighborhood Design District and building code. As such, the plans come with reduced permitting fees, since plan review requirements already have been addressed.⁴ While Roanoke’s plans library only includes designs for single-family detached homes and duplexes, the model could potentially be applied to ADUs (or other housing types) as well.

Legal Basis Approval or pre-approval of building plans is at the discretion of the local permitting jurisdiction.

- Options and Alternatives*
- The City could consider partnering with a university—such as Oregon State University or the University of Oregon—or a design institution to develop plans. The City could also consider developing a competition to produce plans, adopting pre-approved plans developed by other cities, or working with other cities to develop pre-approved plans.
 - The City could offer the plans for free and downloadable from the City’s website (as does the City of Eugene). Alternatively, the City could work with a number of design firms to pre-approve their plans, which could then be purchased at a reduced cost. Local design firms might see this as a marketing opportunity to sell their pre-approved plans multiple times.

- Issues or Constraints*
- Pre-approving batches of similar designs for middle housing could detract from unique neighborhood character in Albany if not developed appropriately. (This is less of an issue for ADUs, which are not as visually prominent on a site.) However, this is already difficult to avoid, given that many developers often use

³ City of Portland. Infill Design Toolkit. Available at: https://www.portland.gov/sites/default/files/2020-01/toolkit1208-optimized_bkmrks.pdf

⁴ Residential Plans Library, City of Roanoke, VA. <https://www.roanokeva.gov/1297/Residential-Plans-Library>

standard plans repeatedly. Some communities limit the number of times a plan can be used in a given area, prohibit use of the same design for buildings adjacent to or directly across the street from one another, or allow the plans to expire after several years.

- Template plans may not work on all lot layouts or provide enough personal design flexibility, and so would not be appropriate for all projects.
- There are upfront costs associated with developing the pre-approved plans, including paying design fees for architects that develop the base plans, and dedicating staff time for working with the architects and reviewing the plans.
- ADU plans may be more straightforward to develop and might be a good first step.

- Impact*
- **Affordability target:** All income levels
 - **Income:** 0 to 120+% AMI
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** It is difficult to estimate how effective pre-approved plan sets would be in promoting development of middle housing because it is not clear that they will be favored by the development community.

- Implementation Actions*
1. Develop ADU and/or middle housing type plans in collaboration with developers and the community.
 2. Work with Albany’s Planning Commission and City Council to adopt pre-approved plans.

Implementing Entity(ies): Lead – City of Albany Community Development and Building Divisions. Potential partners – other cities, university(s), design firms.

3.2 Tax Abatements

INITIAL PRIORITY: HIGH (FOR CERTAIN TYPES)

Description Tax abatements are reductions in property taxes for housing. Abatements may include full or partial tax exemptions or freezes on the assessed value of properties. Abatements are often provided to non-profit corporations or to private developers in exchange for developing affordable housing or other desired housing types (such as mixed-use). Property tax exemptions or freezes can also be applied to housing in distressed areas, or for rehabilitated housing. Property tax abatements reduce ongoing operating costs for affordable housing projects, which can be greatly beneficial for affordable housing finances.

The state currently authorizes tax abatements for various types of housing and affordable housing through several programs outlined in the Oregon Revised Statutes (ORS). These include:

- Nonprofit Corporation Low-Income Housing (ORS 307.540 – 307.548)

- Low-Income Rental Housing (ORS 307.515 – 307.537)⁵
- Vertical Housing (ORS 307.841 – 307.867)⁶
- Transit-Supportive Multi-Unit Development (ORS 307.600 – 307.637) – city must identify specific areas
- Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 – 307.687)

The City of Albany adopted the Nonprofit Low-Income Housing Tax Credit in 1993, which enables the City to exempt affordable housing developed by non-profit agencies from City taxes, although annual renewal is required. Because the City of Albany makes up less than 51% of the taxing district, only City taxes can be exempted unless the developer receives approval from Linn County and the school district to exempt their portions of property taxes as well.

The City could consider adopting additional tax abatement programs to incentivize development of other needed housing types. The highest-priority programs are discussed below. In particular, City staff has heard from local developers that Albany does not offer adequate incentives for development downtown, and that it is not competitive with other cities. Encouraging development downtown and/or in mixed-use areas could be a focus of this strategy.

Legal Basis The state authorizes specific types of tax abatements through the Oregon Revised Statutes (ORS). The ORS references are listed above.

Options and Alternatives **Low-Income Rental Housing (ORS 307.515 – 307.537)**. These ORS provisions allow tax exemptions for any entity that provides regulated affordable housing, including nonprofits and for-profit developers. Albany could potentially use these provisions to effectively extend its existing Nonprofit Low-Income Housing Program to all developers, making its tax exemptions more widely applicable. The statutes outline similar eligibility requirements, in that eligible properties must be offered for rent to low-income persons (at or below 60% AMI), or held for the purpose of developing low-income rental housing. However, unlike the Nonprofit Low Income Housing exemption, the exemption that is available to for-profit developers is limited to new construction, and not acquisition of existing housing. The tax exemption lasts for 20 years.

Vertical Housing Development Zone (ORS 307.841 – 307.867). This program allows a partial tax exemption of 20% per floor (and up to 80% total) for residential developments within a designated “Vertical Housing Development Zone” (VHDZ). The exemption is only allowed for the improvements to the property (not the land itself), unless the development provides low income housing; in that case, the land can also be exempted from property taxes at the same rate as the improvements (on a per-floor basis). The low income units must remain affordable for at least as long as the length of the tax exemption. The tax exemption is available for both

⁵ Oregon cities that have adopted the Low-Income Rental Housing tax exemption include Silverton, Springfield, Prineville, La Pine, North Plains, Bend, and Eugene (among others).

⁶ Oregon cities that have adopted the Vertical Housing tax exemption include Grants Pass, Hillsboro, Beaverton, Milwaukie, Gresham, Tigard, Wood Village, Forest Grove, and Estacada (among others).

new construction and rehabilitation projects, for the first 10 years of the project.

Transit-Supportive Multi-Unit Development (ORS [307.600](#) – [307.637](#)). The transit-oriented tax exemption is an abatement for multiple-unit housing in corridors and centers that support transit. Eligible development must be located in transit-oriented areas and have multiple units, but may include ground floor commercial space. The exemption can be provided for up to 10 years. The City has broad discretion as to how to structure the program and define affordability requirements, allowing it to act relatively independently (though it must get other taxing districts onboard in order to provide an exemption that goes beyond the City’s portion of the tax bill). The exemption program does not have to be provided only for affordable housing but can be used in combination with other tax abatement programs. This incentive may encourage development downtown and along Albany’s transit corridors, including future mixed-use areas.

Issues or Constraints

Tax exemptions apply only to the tax levy of a governing body that adopts the provisions of the tax exemptions. The City and participating taxing districts will lose property tax income for the duration of any tax exemption, reducing revenue for city services and revenue for participating taxing districts. A city must seek approval from partner jurisdictions that, together with the city, make up at least 51% of the overall tax levy. In the case of the City of Albany, which makes up roughly 38% of the local levy, the agreement of either the County or School District or both would be required, as these are the two other sizable taxing levies.

The usage of tax abatement programs by private developers will generally be related to the underlying market forces already present in the community. For instance, if some areas or neighborhoods are on the cusp of seeing more vertical housing development, then a VHDZ will likely see greater usage, amplifying the benefits such as greater density, more housing and mixed uses. However, if a neighborhood is not ready for vertical housing, this incentive is unlikely to make it desirable to a private developer. For that reason, focusing the vertical housing or transit-supportive programs where they already enjoy some support is recommended.

Low-income housing tax credits are typically used by agencies or developers who are already interested in providing this form of housing. The tax credit can be an integral part of the complex financing and incentive package that is typically required to make a low-income housing project feasible. Tax abatements are valuable in helping to defray costs and make up the reduced income from restricted rents. These abatements can help achieve more low-income housing by making it feasible for some projects to increase their unit count and even encouraging some market-rate projects to include affordable units.

- Impact*
- **Affordability target:** Depends on the abatement program – could target 60%-80% AMI affordability level and/or market-rate units.
 - **Income:** Depends on the abatement program
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** Tax abatement programs can be a powerful additional incentive to increase the feasibility of low-income housing, and perhaps

increase the number of units feasible in planned projects. These programs would almost certainly be used. Abatements for vertical housing or transit-supportive may be effective in the downtown area if that is a priority for the City. Prospects have approached the City about these exemptions for development downtown and affordable housing development.

Implementation Actions

1. Assess which tax abatement program(s) to implement and/or update. Create evaluation criteria to decide which types of housing would be eligible for certain types of exemption programs in Albany.
2. Discuss potential programs with key stakeholders, including other City departments, overlapping taxing districts, and developers.
3. Seek Council direction on any eligibility criteria that should be incorporated into the program(s).
4. If the program(s) are determined to be feasible and approved by the other taxing districts, the City should develop a program framework and application process based on the recommended criteria.
5. Identify staff capacity and roles for assisting developers during the application process and monitoring the compliance during operations.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners - Housing developers, lenders, and overlapping taxing districts.

3.3 System Development Charge (SDC) Deferrals, Exemptions or Reductions

INITIAL PRIORITY: HIGH

Description SDCs are one-time charges assessed on new development to pay for the costs of expanding public facilities. The City of Albany charges SDCs for water, sewer, parks, and transportation. Greater Albany Public Schools also charges a construction excise tax (effectively an SDC) for new construction in the city (except for affordable housing). Some jurisdictions offer full or partial SDC exemptions to incentivize affordable housing or desired market-rate residential development or subsidize SDCs with funding from another source (e.g., Construction Excise Tax, urban renewal/TIF, or general fund). A related type of program can allow developers of affordable/desired housing to defer or finance payment of fees, which can reduce up-front costs and financing costs for the developer.

Legal Basis Albany's authority to establish SDCs is contained in Chapter 15.16 of the Albany Municipal Code.

Policy-based reductions, waivers, or exemptions that do not have a basis in reduced impacts or costs are not explicitly addressed in Oregon's SDC laws, and local jurisdictions have taken a range of approaches to navigating this ambiguity.

The state statute enabling inclusionary zoning (ORS 197.307(4)-(10)) identifies SDC

and permit fee reductions or waivers as incentives that may be offered to development impacted by an inclusionary zoning requirement. While the statute does not include further discussion on SDC or permit fee waivers or reductions for affordable housing generally, it has been interpreted by some as authorizing SDC reductions or exemptions for affordable multifamily development without changes to the jurisdictions' SDC methodology. Other jurisdictions have indicated that "waiving" SDCs does require either changing the SDC methodology or backfilling lost revenues from another source.

Several cities in Oregon choose to exempt certain classes of development (such as ADUs and regulated affordable housing) from SDC requirements. House Bill 2001 requires cities to consider SDC deferrals or waivers for middle housing types.

Options and Alternatives **Deferrals and Reductions vs. Exemptions**

SDC deferrals typically allow a development to delay payment of the fees for a specified period of time (e.g., 6, 9 or 12 months) or until the certificate of occupancy is issued, rather than at the time the building permit is issued. SDC deferral can be combined with SDC financing so that payments begin at the certificate of occupancy or other specified time and continue for a certain number of years (e.g., 10 years). The City could consider deferring SDC payments for new residential construction until the certificate of occupancy is issued. While not many developers finance SDCs, the City could consider a lower interest rate (e.g., 0.25% above the Oregon Prime rate) and/or allow the lien to be in second position for affordable housing or other types of housing developments.

A financing program can be beneficial to the property owner because fees are paid gradually, rather than in a lump sum soon after the completion of the project. However, a financing program also brings additional administrative requirements and costs to the City to track and collect payments over time.

SDC Reductions – One approach to reducing SDCs is to scale the SDC methodologies to dwelling size. In general, SDC methodologies are intended to be commensurate with the cost or impact to the system. Smaller housing types such as ADUs typically have lower impacts to the system, as their smaller footprint and lower occupancy results in lower needs for water, sewer, and transportation facilities. Duplexes, triplexes, fourplexes and cottage cluster housing units may have similarly reduced impacts on average.

Scaling SDC methodologies ensures that smaller dwelling sizes and middle, and multi-family housing are not disproportionately burdened by fees, and therefore, are encouraged. This provides a more equitable approach to SDC fees, and reduces barriers to construction of more affordable, smaller-scale homes, including middle and other alternative housing forms.

The City is currently proposing to change the SDC methodology for residential development so that fees for single-unit dwellings are scaled to dwelling size and middle housing types would be scaled to be less than the fee for an average sized single-unit home. Fees for apartments are proposed to be reduced even further. For example, wastewater SDC fees for two to fourplexes would be charged 0.9 of the fee for the average house size (1 EDU), and apartments would be charged 0.68 of

the EDU.

SDC exemptions provide larger incentives for housing development by providing additional cost savings to developers. This is especially helpful for regulated affordable housing development, and can help projects “pencil out” financially. However, exemptions can be more challenging to the local jurisdictions in terms of lost revenue, and often need to be backfilled with other funding sources. *Since SDC revenues are needed to expand or make system improvements, staff is supportive of other funding sources being used to pay SDC fees for identified needed housing types, rather than exemptions.*

Housing Types

ADUs. One relatively popular program in Oregon is reducing or exempting SDCs for accessory dwelling units (ADUs). Currently in Albany, when a new ADU permit comes in, it is subject to the standard SDCs, with the exception of water. The water SDC is only charged if a separate service is requested. SDCs for ADUs are reported by some local jurisdictions to have an outsize effect on discouraging ADU construction.⁷ As an example, the City of Springfield is offering a temporary waiver of transportation, stormwater, and local wastewater system SDCs for new ADU construction through June 2027.⁸

Affordable housing. Other cities have reduced or exempted SDCs for regulated affordable housing. For example, the City of Eugene offers SDC exemptions for development or preservation of rental and homeownership housing affordable to low-income households.⁹ The exemption is available to rental housing developments for households with incomes of 60 percent of AMI, and for homeownership developments for households with incomes of 80 percent of AMI. The affordability requirement must be met for a period of five years. If the property ceases to be used for low-income housing within 5 years of being granted the exemption, the amount of the exemption must be repaid with interest. *Fee waivers are covered by annual transfers from the City’s general fund.* **Other needed housing types.** SDC deferral may be an appropriate strategy for incentivizing other housing types that are needed in the community and that are typically lower-cost, such as middle housing.

Issues or Constraints

- There may be legal limitations of the City’s ability to exempt, waive, or reduce SDCs (see Legal Basis, above) and there are specific requirements for how to implement an SDC fee reduction.
- Lower fees may result in less revenue for public purposes. SDCs are generally calibrated to reflect the true estimated cost of the additional development on the City’s systems. Eugene’s program for affordable housing is offset by

⁷ Oregon Metro. Accessory dwelling unit (ADU) zoning code audit report, 2018.

https://www.oregonmetro.gov/sites/default/files/2018/10/01/Build_Small_Coalition_2018_ADU_code_audit_report_final.pdf

⁸ Springfield ADU Program. <https://springfield-or.gov/city/development-public-works/applications-licenses-and-permits/accessory-dwelling-units/>

⁹ Eugene SDC Exemption RFP. <https://www.eugene-or.gov/4922/SDC-Exemption-Request-for-Proposals>

transfers from the City’s general fund. If Albany adopts a new funding source, such as a Construction Excise Tax (see Strategy 4.1), that could potentially be used to backfill lost funds from reduced SDCs.

- As reported in the Metro ADU study, SDC reductions or waivers alone may not be sufficient in reducing barriers to ADU construction. The study noted that even cities with reduced or eliminated SDCs did not necessarily report a significant boost in ADU permits. It is important to address zoning barriers (discussed in Strategy 1.4), in addition to the financial barriers posed by SDCs.

- Impact**
- **Affordability target:** Depends on how the program is structured and what the eligible housing types are.
 - **Income:** Depends on the program.
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** This strategy alone will not result in additional units, but it may incentivize the production of affordable housing and other needed housing types, which could increase the number of units developed. SDC deferrals or financing can improve the feasibility of projects, delay payment until the property is generating income, and still eventually provide the public revenue over time.

- Implementation Actions**
1. Consult with other City departments about the possibility of deferring or exempting SDCs.
 2. Work with housing stakeholder and City Council to determine what housing types to target with SDC deferrals, reductions, or exemptions.
 3. Consider new funding sources for backfilling lost SDC revenues—such as a CET.
 4. Work with other service providers to offer SDC deferral, reductions or exemptions.
 5. Adopt, implement, and track the effectiveness of the program.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – Other City Departments; Greater Albany Public Schools.

3.4 Expedited Permitting for Affordable/Needed Housing

INITIAL PRIORITY: LOW

Description A variety of strategies could be considered to reduce review and processing times for affordable housing development, such as formally adopting shortened review timelines for applications or giving priority in scheduling hearings and meetings with staff. The City could also prioritize projects with direct or indirect funding from the local government or could consider assigning a designated staff person to shepherd projects through the construction process in order to expedite the

process.

Legal Basis While state statutes control the overall timeline in which developments must be reviewed and approved, local jurisdictions are free to establish their own policies for shorter review timelines. The state already requires that cities make decisions on applications for affordable multi-family housing development (with at least 50% of units available at 60% AMI) within 100 days (per ORS 197.311).

Options and Alternatives The City could prioritize housing projects that receive direct or indirect funding from the local government. The City could also prioritize development of accessible housing units.

Issues or Constraints Expedited development review puts pressure on City staff during a time when many jurisdictions in Oregon are overwhelmed by the volume of development applications. The program must ensure that staff has the capacity to meet expedited timelines. Effectiveness also depends on cooperation of other departments (e.g., public works, transportation).

In addition, review timelines in Albany are already relatively short. Single-family detached and middle housing only require building permit review (10 day review time). Land use applications for housing are typically reviewed within 30-45 days for lower-level reviews to 60-90 days for higher-level reviews, which is less than the state-mandated timeline of 100 days for affordable housing development.

Impact

- **Affordability target:** Low income or workforce housing
- **Income:** 0 – 120% AMI
- **Housing tenure/type:** For rent or sale; income-restricted; accessible units
- **Housing impact:** The impact of expedited review is expected to be limited; while it could bring affordable units online faster and help limited funding go further to produce a few additional units, it may not be enough to incentivize more projects than would have occurred anyway. Also, like other strategies, it could be an effective addition to a suite of incentives and other tools.

Implementation Actions

1. Research best practices and staff capacity to help determine what reduced timeline staff can reasonably provide.
2. If expedited permitting timeline can be reduced, establish what the expedited review deadline would be.
3. Implement the program once the Community Development Department meets the needed staffing threshold.
4. Track legislative changes to state mandated review periods for affordable housing developments.

Implementing Entity(ies): Lead - City of Albany Community Development Department.

CATEGORY 4. FUNDING SOURCES

The following funding sources could create new revenues for Albany to increase its supply of needed housing, particularly affordable housing.

4.1 Construction Excise Tax (CET)

INITIAL PRIORITY: MEDIUM-HIGH

Description Construction excise tax (CET) is a one-time tax on construction projects that can be used to fund affordable housing projects and programs. According to state statutes, the tax may be imposed on improvements to real property that result in a new structure or additional square footage in an existing structure. Cities and counties may levy a CET on residential construction for up to 1% of the permit value; or on commercial and industrial construction, with no cap on the rate of the CET.

The allowed uses for CET funding are defined by the state law. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

- 50% must be used for developer incentives (e.g., fee and SDC waivers, tax abatements, etc.)
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services (OHCS) for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives and the remaining 50% are unrestricted.

The primary advantage of a CET is that it would provide a source of funding for other programs or measures aimed at helping subsidize the cost of affordable housing in the community, either through City-led programs or those implemented by private or non-profit partners. In addition, once a CET is established, it would be straightforward to administer through the development permitting process.

Oregon cities that have passed a Construction Excise Tax for affordable housing include Grants Pass, Medford, Milwaukie, Corvallis, Cannon Beach, Newport, Hood River, Bend, Eugene, Tigard, and Portland (and likely others). More cities are currently considering a CET. Most cities are using or plan to use the revenues to offer grants and/or loans as flexible gap financing for affordable housing development.

Legal Basis The construction excise tax for affordable housing was enabled by Senate Bill 1533, which the Oregon Legislature passed in 2016. The limitations and requirements (discussed above) are outlined in ORS 320.170-195.

Options and Alternatives Alternatives and questions to consider if the City of Albany were to adopt a CET:

- Should a CET be applied to residential and/or commercial/industrial property types?
- What tax percentage should be levied on residential construction (up to 1%) and on commercial and industrial construction (unlimited). Most jurisdictions that have implemented CETs in Oregon levy taxes at a rate of 1% for both development types.
- Permitting data from 2016 through 2021 indicates that a CET could generate average annual revenue of \$185k for a 0.25% CET to \$740k for 1.0% CET (assumes same rate applied to value of residential and commercial permits). The amount of revenue needed to make a “meaningful” contribution to affordable programs will depend on perception. Certainly, \$740k in annual revenue for affordable housing programs would be a significant fund with which to contribute to desirable development, however even \$185k would allow a significant contribution to one or two projects per year.
- There are many ways to configure a CET based on which types of development it is applied to, and the tax rate. The numbers provided above might be considered “book ends” between which different program configurations would provide differing amounts.
- How should the 50% flexible commercial/industrial CET funds be dedicated (e.g., for economic development, affordable housing fund, or developer incentives)?
- What income levels should benefit from production of affordable units (e.g., households earning <60% AMI, <80% AMI, etc.)?
- Are there any conditions under which a developer would be exempted from paying the CET?

Issues or Constraints

- CET is a tax on development. It increases development costs in an environment where many developers are already seeking relief from systems development charges, so it could impact development feasibility and increase the costs of housing more generally. However, by structuring the policy with offsetting incentives or tools to reduce development barriers, the City could potentially limit the impact on feasibility for certain projects. Also, the City could limit a CET only to commercial/industrial development (i.e., exclude residential), and possibly only to larger projects, which may be less impacted by the tax.
- The additional costs to developers are typically passed on to tenants in new buildings, thereby increasing housing costs and commercial lease rates when demand for housing is high.
- Because CET revenue is development-derived, it will fluctuate with market cycles.
- The expected revenue from a CET to pay for desired programs should be weighed against these potential drawbacks.

Impact

- **Affordability target:** Depends on how the program is structured, but would be for extremely-low to low-income households.

- **Income:** Depends on how the program is structured. Could be 0-60% or 0-80% (or a different range).
- **Housing tenure/type:** For rent or sale
- **Housing impact:** CET is one of few options to generate locally controlled funding for affordable housing and could be implemented without a public vote. The estimates based on development activity since 2016 indicate that a CET could generate significant revenue to contribute to affordable housing projects. This fund could incentivize additional affordable units in both non-profit and for-profit development, and expected interest in using these funds would likely be high.

Implementation Actions

1. Evaluate a potential approach. Include projections on potential revenue and what programmatic goals could be accomplished with revenue. Consider both residential and commercial/industrial options.
2. Engage with developers in Albany to evaluate tolerance for a CET on residential, commercial, and industrial development.
3. Seek direction on whether to proceed with adoption from City Council.
4. Albany City Council could impose the CET by adoption of an ordinance or resolution that conforms to the requirements of ORS 320.192–ORS 320.195.
5. If directed, create a plan for the use of CET funds.

Implementing Entity(ies): Lead – City of Albany Community Development Department. Partners – City of Albany Finance Department; local developers; non-profit housing partners could implement funded programs.

4.2 General Obligation Bonds for Affordable Housing

INITIAL PRIORITY: MEDIUM

Description General obligation (GO) bonds provide a stable, dedicated revenue source through increased property tax rates. Cities or other jurisdictions can issue bonds backed by the full faith and credit of the jurisdiction to pay for capital construction and improvements. GO bonds are issued for a specific dollar amount and paid back over a certain period (typically 20 to 30 years) through increased property taxes. *GO bonds must be approved by voters.*

Because they are legally limited to use for capital investments and require a public vote to enact, these bonds are typically used for major infrastructure investments (such as roadway improvements that benefit all or nearly all of a city’s residents). However, GO bonds can be used for land acquisition or development if the city’s residents agree to fund them. GO bonds can also be used to purchase existing buildings and convert them into permanently affordable rental housing. Funds can

be loaned or granted to both public and privately owned affordable housing projects.

At least one jurisdiction in Oregon—the City of Portland—is using this tool to construct affordable housing. In 2016, Portland voters approved Portland’s Housing Bond dedicating \$258.4 million in general obligation bonds to the development of 1,300 units of affordable housing for low-income households—including 600 units for households with incomes at or below 30% of the Area Median Income (AMI), 650 family-sized units, and 300 units of Supportive Housing.¹⁰

Legal Basis Authority for local governments to issue GO bonds is enabled by state statute (ORS 287A.010 – 287A.145). Eligible uses of GO bond funds are limited by the Oregon Constitution (Article XI, Sections 11, 11b, and 11L).

Options and Alternatives Alternatives and questions to consider if the City of Albany were to consider a GO bond initiative:

- What type of housing projects could best be publicly supported based on polling? Do those projects align with the requirements and limitations of GO bond funding? Do those projects align with the City’s most pressing housing needs?
- What is a reasonable dollar amount for the bond, given the public priorities and funding appetite? How many units might be acquired and / or built at various funding levels?
- What are the implications of a new GO bond for Albany’s property taxpayers?

Issues or Constraints A primary downside of GO bonds is that they require voter approval to increase property taxes, which may not receive adequate community support. As such, it may not be the most politically feasible funding strategy.

If successful, the administration of this funding may require additional staffing and skill sets if the City is unfamiliar with undertaking these types of projects on this scale.

GO bonds can only be used for capital projects and cannot be used for supportive services or for operations. However, if the City issues a bond to build new affordable housing, it may free up resources from other funding sources for services linked to affordable housing. Examples of supportive services linked to affordable housing include rapid rehousing, permanent supportive housing, down payment assistance, and rent deposits.

- Impact**
- **Affordability target:** Extremely-low to low-income households
 - **Income:** 0 – 80% AMI
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** A GO bond can be the most direct and best-funded way for a jurisdiction to support the development of new housing. It provides a large,

¹⁰ Portland Housing Bond, <https://portlandhousingbond.com/>

dedicated funding source, dedicated to the pre-determined uses, and enjoying political support as it has been passed by voters. For example, a GO bond has the potential to fully fund production of multiple affordable housing developments and hundreds of units.

Implementation Actions

1. Evaluate the types of projects the City wishes to include on the ballot (and their costs) to determine a bond rate. The bond funds may only be used to pay for capital costs related to construction; acquisition or rehabilitation of residential buildings for affordable housing; other capital construction costs; predevelopment costs; and administrative costs.
2. The City should vet projects with the general public to gauge acceptability. They should also educate the public about the proposed projects' value.
3. GO bonds are issued with long-term, fixed rates. The City of Albany should evaluate the type of bond it will pursue (20-year or 30-year).
4. GO bonds must be approved by a simple majority through a ballot measure.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners - City of Albany Finance Department, Legal Department, City Council, Albany residents

4.3 Tax Increment Financing (TIF)

INITIAL PRIORITY: MEDIUM

Description TIF is a funding mechanism in which future tax revenues in targeted development or redevelopment areas (TIF districts / urban renewal areas) are diverted to finance infrastructure improvements and/or development.

At the time of adoption, the tax revenues flowing to each taxing jurisdiction from the TIF district is frozen at its current level. Any growth in tax revenues in future years, due to annual tax increase plus new development, is the “tax increment” that goes to the district itself to fund projects in the area. Per state statute, large cities (over 50,000 people) are allowed to have up to 15% of their land area and assessed value in TIF districts. TIF is a good tool to use in areas where new development or redevelopment is anticipated.

While many different types of projects are eligible for TIF funds, for the most part, TIF funds go to physical improvements in the district itself. These projects can include participating in public/private partnerships with developers—including for affordable, workforce, or market-rate housing—or can be used to complete off-site public improvements that benefit and encourage new development in the area, or to acquire key sites. TIF funds can also be used to pay for development fees. *TIF set-asides can create designated funding sources for affordable housing development programs within TIF districts.*

The City of Albany established a TIF district downtown in 2001 called the Central

Albany Revitalization Area (CARA). The CARA has been used to date to help finance the development of workforce housing units at the Woodwind Apartments.

Legal Basis TIF districts and urban renewal are regulated by state statute (ORS Chapter 457). The creation of a new TIF district requires voter approval.

Options and Alternatives

- The City’s existing TIF district, CARA, is sunseting soon and is not going out for any more bonds to support new projects. Therefore, the applicability of this strategy to CARA is unlikely.
- There may be opportunities to establish additional TIF districts in targeted areas—such as East Albany—where housing development is desired but where market conditions are hindering private development.

Issues or Constraints TIF results in foregone tax revenue for the City and other overlapping taxing districts for several decades, though it can (and should) grow the tax base in the long-term by supporting development that would not otherwise have occurred. If a new TIF district were established, it would likely be several years before there was sufficient revenue in the district to make significant investment in housing.

Impact

- **Affordability target:** Low-income to workforce housing.
- **Income:** 0 – 120% AMI
- **Housing tenure/type:** For rent or sale
- **Housing impact:** The amount of housing production would on the funds raised through Urban Renewal.

Implementation Actions

1. Evaluate the potential for creation of one or more new TIF districts.
2. Evaluate whether a housing set-aside would be an appropriate expenditure for the new district(s) and how much could be allocated while balancing the need for infrastructure investments.
3. Should a new TIF district be deemed appropriate, proceed with the planning and adoption process for the new district. Establish priorities for the area, identify a project list, confirm financial feasibility, prepare required plan documents, and hold adoption hearings.

Implementing Entity(ies): Lead - City of Albany Urban Renewal Agency.

4.4 Federal CDBG and HOME Funding

INITIAL PRIORITY: LOW

Description CDBG

The Community Development Block Grant (CDBG) Entitlement Program is a federal program administered by the Department of Housing and Urban Development (HUD). The program provides annual grants to entitled cities and counties to “develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.”

The City of Albany became a CDBG entitlement community in 2013 and receives an annual allocation of CDBG funds that primarily benefit low- and moderate-income households and residents. In recent years, Albany has received between \$375,000 and \$410,000 in annual CDBG funds; however, allocations have been decreasing.

Eligible activities include public infrastructure, housing rehabilitation, property acquisition, down-payment assistance, emergency rent assistance, and other public services. CDBG funds can be used for activities that support affordable housing, but they cannot be used to construct new housing, unless the applicant is a Community Based Development Organization.

Albany’s CDBG funds have helped Habitat for Humanity, Creating Housing Coalition, and Jackson Street Youth Services purchase property, supported a housing rehabilitation program, provided emergency rent assistance and down-payment assistance, and funded sidewalk and park improvements.

HOME

The HOME Investment Partnerships Program (HOME) is a HUD program with a specific focus on increasing the supply of housing for low- and very low-income households. There are four eligible activities under HOME and all relate directly to affordable housing: home purchase or rehabilitation assistance, building or rehabilitation of housing, site acquisition or improvement, and supporting Community Housing Development Organizations.

All housing developed with HOME funds must serve low- and very low-income families. For rental housing, at least 90 percent of the families benefited must have incomes at or below 60% AMI; the remaining 10 percent of the families benefited must have incomes at or below 80% AMI. Homeownership assistance must be to families with incomes at or below 80% AMI.

The City is not eligible to receive a direct allocation from HUD for the HOME program because it does not receive over \$500k in CDBG funds. However, the state receives HOME funding to support the creation of affordable housing by local governments or non-profit organizations. The Oregon Housing and Community Services (OHCS) Affordable Rental Housing Division administers the HOME program for the State of Oregon. Funds can be used for the acquisition, new construction, or rehabilitation of affordable rental housing or tenant-based rental assistance. OHCS awards available funds through an annual competitive allocation process.

Legal Basis The CDBG Entitlement Program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C.-5301 et seq.

HUD determines the amount of each entitlement grantee’s annual funding allocation by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.¹¹

The HOME program is authorized under the National Affordable Housing Act of 1990 (P.L. 101-625).

Options and Alternatives No changes to the City’s CDBG funding itself are recommended. The City already uses its annual allocation to support other housing strategies identified in this report—particularly housing rehabilitation under Strategy 5.2, Support for Existing Affordable Housing and Residents. See the “Issues and Constraints” section for further discussion.

The City could apply for state HOME funding in partnership with a non-profit developer or housing provider to develop affordable housing or acquire existing housing and convert it to affordable housing. See Strategy 5.1 for further discussion of Public-Private Partnerships.

Issues or Constraints There is a significant amount of planning and reporting required to meet federal grant requirements as CDBG entitlement community. Only 20 percent of each year’s allocation, plus program income, can be used for planning and administrative costs.

Due to funding limitations, there is limited potential for expanding programs funded through CDBG. The City’s program used to support down payment assistance before housing prices became too high. If new strategies were to be funded by CDBG, funds would need to be diverted from other programs.

In addition, CDBG funding comes with significant “strings attached” when granted to non-profit organizations for their programs. Due to limited funding and federal requirements, there has been limited interest from non-profits for these funds for new projects.

Partnering with an organization to receive state HOME funds would provide the City with less flexibility to implement housing strategies and programs, but would be a lower-barrier way to utilize direct HOME funding.

- Impact**
- **Affordability target:** Extremely low to low-income households
 - **Income:** 0 – 80% AMI
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** Potential impact depends on how CDBG funds are used and

¹¹ HUD Exchange. CDBG Entitlement Program Eligibility Requirements. <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>

which programs are supported by the funding. If the City pursues the partnership approach, the potential impact would depend on what housing projects the City pursues and the willingness of non-profit agencies to participate.

Implementation Actions CDBG

1. Identify funding priorities for upcoming fiscal years (the City does this every year).
2. Incorporate updated priorities into the next (and future) five-year CDBG Consolidated Plan and CDBG Annual Action Plans.
3. Implement funding as indicated in the Action Plan.

HOME

1. Identify potential agency partners and development/acquisition opportunities.
2. Apply for HOME funding from the state.
3. Work with the partner agency to administer/implement the funds.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – non-profit agencies.

4.5 Demolition Taxes

INITIAL PRIORITY: MEDIUM

Description Cities, towns, and counties can establish demolition taxes as a way to generate revenue and replace affordable housing that is lost to these activities. The proceeds from demolition taxes are typically deposited in a Housing Trust Fund to support affordable and accessible housing activities (see Strategy 5.5).

The City of Lake Oswego established a demolition tax in 2019 to encourage retention of existing housing stock. The ordinance specifies a tax of \$15,000 for demolition of single-family dwellings and duplexes, with a \$5,000 reduction for structures removed by deconstruction as opposed to mechanical demolition. Homes demolished for the purpose of clearing land for the development of affordable multi-family housing or where the City declares the home unsafe or condemns it are also exempt. The ordinance also included a 3-year sunset clause, meaning the City Council can revisit the issue and decide whether to renew the tax. Note, however, that Lake Oswego’s demolition tax revenues are dedicated to funding parks maintenance, rather than affordable housing.

Legal Basis Cities are entitled to establish a demolition tax as a “general tax” that may be used for public purposes as determined by the City Council. A demolition tax would not be considered a system development charge under ORS 223.297–314 or a construction excise tax under ORS 320.195.

Options and Alternatives To ensure that a demolition tax on residential development does not deter needed redevelopment, the City should consider implementing this strategy only if the housing replacement is 1:1 or less than 1:1—e.g., replacement of an older single-family home with a larger home. If the proposed development is denser than the original structure—e.g., replacement of an older home with a duplex or fourplex—the City could exempt it from a demolition tax.

Lake Oswego’s demolition tax only exempts development of affordable multi-family housing, not all denser housing. However, Lake Oswego has very high land values and may see more redevelopment demand than Albany. Because of the potential for returns on investment, middle housing developers in Lake Oswego may be less deterred by a demolition tax than they might be in Albany.

Albany should be careful in defining “demolition” and “remodel” so as not to create a loophole for demolitions masquerading as a remodel.

The City would need to consider how revenues from a demolition tax should be allocated. As noted above, they could be deposited into a Housing Trust Fund (Strategy 5.5), or otherwise dedicated to supporting affordable housing funding production or programs.

Issues or Constraints This tool could be considered if demolition and replacement with more expensive housing is seen as a pervasive or growing problem in the community. However, this has not been as much of a concern in Albany as it may be in Corvallis or other cities.

The strategy may help to preserve some of the existing housing that is less expensive. In some cases, or in some lower-income neighborhoods, it may deter the replacement or reinvestment in truly dilapidated, substandard, and or unhealthy housing, which may or may not be desirable to the community. Smaller and older housing provides naturally occurring affordable housing in many cities.

- Impact**
- **Affordability target:** All income levels
 - **Income:** 0 – 120+% AMI
 - **Housing tenure/type:** For rent or sale
 - **Housing impact:** A demolition tax is likely to deter demolition of naturally occurring affordable housing in some cases, if the amount of the tax is set high enough.
 - This of course helps to maintain existing affordable housing units, not create additional new units.

- Implementation Actions**
1. Evaluate a potential tax, including projections on potential revenue and what programmatic goals could be accomplished with revenue. Consider how the tax should be calibrated and what projects would be exempt.
 2. Engage with developers and community members in Albany to evaluate tolerance for a demolition tax.
 3. Seek direction on whether to proceed with adoption of an ordinance from City Council.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – Linn and Benton Counties.

CATEGORY 5. PROGRAMS AND PARTNERSHIPS

These are programmatic strategies that could help the Albany community increase its housing supply (particularly affordable housing), support existing affordable units and residents, and/or leverage partnerships to catalyze housing development. The programmatic strategies would typically depend on partnerships with other organizations to implement or rely on additional funding sources identified in the previous set of strategies.

5.1 Public-Private Partnerships (PPPs)

INITIAL PRIORITY: MEDIUM-HIGH

Description **Public-private partnerships** are arrangements between public and private entities to create more and/or affordable housing. PPPs have the capacity to bring resources to the table that would otherwise not be available if each institution were to provide housing on its own. PPPs can promote a variety of affordable housing programs or projects and include partnerships from multiple entities (public, private, and non-profit). Cities can engage in PPPs in a variety of ways, such as providing flexibility in development standards and helping leverage public funding. Partnership with a Community Land Trust is an example of a type of PPP that the City could pursue—see below. The Woodwind Apartments, completed in 2015, are an example of a PPP for affordable housing. The Central Albany Revitalization Area (CARA) committed \$1.45 million to the project, including \$817,660 for the purchase of the property. The City has also partnered with Habitat for Humanity and Albany Partnership for Housing and Community Development in the past—applying for state CDBG funds to pay for infrastructure improvements for projects and donating surplus land to these two agencies.

Community Land Trust (CLT) is a model wherein a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or may develop and manage rental housing themselves. Land trusts are typically run as non-profits, with support from the public sector and philanthropy, and could be linked to a land bank. Land trusts can be focused on homeownership or rental units.

Supporting an existing CLT would likely provide a greater impact than supporting the startup of a new CLT. The City can help identify key opportunities for this model and help to capitalize the efforts of its partner. DevNW is an example of a CLT working in the Albany area (as well as other jurisdictions). Among a suite of other

services, DevNW is currently developing homes for affordable homeownership under the CLT model in Corvallis, Eugene, Milwaukie, and Salem, and has completed projects in Florence and Cottage Grove.¹² The City could consider supporting DevNW’s efforts to build similar homes in Albany. The City already partners with DevNW on the Linn-Benton-Lincoln County Home Repair Program, which is supported by Albany CDBG funds and administered by DevNW.

Habitat for Humanity is not a CLT per se but uses a similar approach to maintain the affordability of the homes it builds largely through volunteer labor and first right of refusal on sales of Habitat homes. Albany Area Habitat for Humanity is the local affiliate organization and is a potential partner for the City. As noted above, the City has already supported Habitat’s efforts by providing CDBG funds for land acquisition.

If seeking a partnership with a CLT, an important first step in implementing this strategy would be to make inquiries regarding an organization such as DevNW’s interest in operating in Albany and the type of support they typically seek from local governments. See below for options for supporting a CLT.

Legal Basis A CLT lease creates a distinctive legal framework within which ownership of the land is separated from ownership of the improvements on land. The structure involves a “fee interest” in the leased land held by the CLT, and a “leasehold interest” held by the homeowner. In most cases the homeowner’s leasehold interest is accompanied by or includes deeded ownership of the house and other improvements on the leased land. As a general rule, there is no legal prohibition against the creation of separate ownership interests in a building and the underlying land.¹³

Options and Alternatives PPP. Typically, public-private partnerships are implemented on a case-by-case basis and therefore vary significantly in their structure, costs, and resulting number of units. This makes it difficult to evaluate or compare alternative approaches to implementing them. A benefit to this structure is the flexibility to include a variety of partnerships/funding sources.

CLT. The City can play a variety of roles in supporting CLTs through administrative or financial support:

- **Donate City-owned land (Strategy 2.2) to be managed by CLTs.** The City can transfer property they see fit for affordable housing development to a CLT to develop and maintain the development.
- **Provide grants or low-interest loans for specific development or rehabilitation projects.** Grants and loans can provide funds to CLTs to assist with predevelopment costs or acquisition and rehabilitation costs for existing homes.
- **Provide down payment assistance for homes owned by CLTs.** Providing

¹² DevNW Homeownership. <https://devnw.org/affordable-homes/homeownership/>

¹³ CLT Network. The CLT Technical Manual. <http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf>

down payment assistance grants or loans can help create homeownership for those who otherwise would not have the opportunity. Grants and loans can help bridge the gap between what the homebuyer can afford and the actual cost of the home. A few examples:

- The City of Springfield provides zero-interest home loans for income-qualified homebuyers. Those homes do not need to be CLT homes owned by DevNW, but DevNW’s homebuying course is an eligibility requirement.¹⁴
- Both the City of Hillsboro and City of Beaverton provide down payment assistance grants in partnership with the CLT Proud Ground. Both Beaverton and Hillsboro use CDBG funds to finance the grant programs.
- **Funding Partnership.** Providing direct funding to a CLT is also an effective way to support affordable homeownership. For example, the City of Hillsboro provides an annual set-aside of CDBG funds to Proud Ground, which allows the organization to eschew the competitive grant process. Proud Ground was not operating in Hillsboro prior to receiving funding from the City; therefore, this partnership has been key to Proud Grounds ability to expand their local capacity.

Issues or Constraints

PPPs are often not associated with structured programs; rather, they are often individual projects, which has both advantages and disadvantages. Projects are often opportunity-driven and may be spearheaded by the City or by private developers or partner agencies. With this structure, there is less administrative burden to the City, but it is also difficult to prepare for the capacity, typically financial, to participate in a partnership

Financing the initial acquisition of land and securing enough equity to scale the strategy are key challenges for the CLT model. Across the country, land trusts use a variety of land acquisition mechanisms, from private financing and municipal subsidies to relationships with land bank entities.

Impact

- **Affordability target:** Low income and workforce housing
- **Income:** 0 – 120% AMI
- **Housing tenure/type:** For rent or sale
- **Housing impact:** Typically, PPPs are implemented on a case-by-case basis and therefore vary significantly in their structure, costs, and resulting number of units. This makes it difficult to evaluate this strategy’s potential impact. A benefit to this structure is the flexibility to include a variety of partnerships/funding sources.

CLTs are unlikely to produce substantial unit numbers unless significant resources are raised from a broad mix of funding partners, but they can provide permanent affordability of the units they develop. The City’s funds can

¹⁴ DevNW. Downpayment Assistance. <https://devnw.org/access-funds/downpayment-assistance/>

help to leverage investments from other partners. This could work in conjunction with a land acquisition strategy. Similarly, a Housing Trust Fund could serve as a source of funding for contributions to CLTs (see Strategy 5.5).

Implementation Actions

1. Work with affordable housing organizations and/or a CLT to discuss opportunities in Albany.
2. Take action on partnership models and programs that best benefit the organization and the City's financial and/or administrative capacity.
3. Potentially provide on-going support through development/rehabilitation grants, homeownership grants/loans, donation of City-owned land, and/or an annual funding set-aside.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – private or non-profit developers; community land trust.

5.2 Support for Existing Affordable Housing and Residents

INITIAL PRIORITY: MEDIUM

Description This strategy describes a variety of programs that can be used to maintain housing affordability or to help keep residents in their homes.

- **Financial assistance programs.** Possible tools include rent assistance, loans for homeowners, or assistance to low-cost apartment owners for repairs and upgrades. In Albany, several such programs have been funded through the City's annual allocation from the federal Community Development Block Grant (CDBG) program (see Strategy 4.4). Albany partners with organizations including DevNW, Albany Partnership for Housing and Community Development, and Community Services Consortium (CSC) to implement these programs. However, CSC receives other funds for rent assistance programs. The City can and should continue to work with these and other organizations to implement and publicize these types of programs.
- **Preserving low-cost housing.** Preventing displacement and preserving "naturally occurring" affordable housing through acquisition, low-interest loans/revolving loan fund for preservation, and/or code enforcement. Example: The Oregon Legislature committed \$15 million in lottery bonds to Oregon Housing and Community Services (OHCS) in 2019 to create a naturally occurring affordable housing (NOAH) loan fund. Modeled after the Greater Minnesota Housing Fund. The 2021 session granted \$30 million for purchase of existing housing stock and land acquisition.
- **Preserving manufactured home parks.** Manufactured home parks often provide a form of affordable housing stock, but are particularly vulnerable to redevelopment pressures since lots are temporarily leased out. In order to preserve safe, affordable options into the future, manufactured home parks

may be protected through assistance that allows community purchase of the underlying land and maintenance of the dwelling units. This strategy is often implemented through use of Land Trusts, Resident-Owned Cooperatives, Public Ownership of Land, or Condominium Conversion of the real estate assets to preserve the community(ies). Oregon Housing and Community Services (OHCS) has regularly received lottery bonds or general funds from the Oregon Legislature to preserve manufactured home parks through either Resident Owned Cooperatives or Non-profit ownership.

- **Affordable Housing Preservation Inventory.** The City could prepare an inventory of subsidized and naturally occurring affordable housing to support proactive policies intended to preserve the affordable housing stock. The inventory would be used to target potential properties for implementation of this strategy. This strategy is intended to help offset some of the need for costly new construction.

Legal Basis N/A

Options and Alternatives (see Description, above)

Issues or Constraints Programmatic strategies to preserve low-cost housing would require the City to be program-lead or create one or more partnerships with local organizations. Both require funding, development of policies and program structure, and administration of the programs. Future monitoring of compliance is also a consideration for implementation.

Regarding preserving low-cost housing:

- Housing preservation funds are not typically city-led so Albany likely would not take a lead role in creating or administering a preservation fund.
- With established funds such as the state’s NOAH fund, owner-operators and developers can use them to move quickly in the market, with lower risks due to the effect of the more patient capital from social impact investors.
- Existing low-cost housing may need to be brought up to health and safety standards required in the building codes.

Regarding preserving manufactured home parks:

- Albany could work with owners of manufactured home parks, especially those where redevelopment is being considered, to identify opportunities to preserve manufactured home parks through these approaches

- Impact*
- **Affordability target:** Extremely low to low-income households
 - **Income:** 0 – 80% AMI
 - **Housing tenure/type:**
 - **Housing impact:** Impact depends on which of the specific programs is

implemented. More information will be provided in a later version of the draft HIP if this strategy is included among a list of high-priority initiatives.

Implementation Actions More information will be provided in a later version of the draft HIP if this strategy is included among a list of high-priority initiatives.

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – State of Oregon OHCS; non-profit housing organizations.

5.3 Providing Information and Education to Small Developers

INITIAL PRIORITY: LOW-MEDIUM

Description Providing information to small, local developers that will help them understand land use permitting processes and give them a sense of clarity and certainty about requirements so they can better provide smaller scale housing at an affordable level. Information can also promote accessible/Universal Design building techniques.

The City already provides numerous informational handouts on its webpage and at the permit counter, including new handouts for middle housing.

Legal Basis N/A

Options and Alternatives

- Create FAQs and/or handouts about the basics of the development/permitting process. Emphasize step-by-step city processes with estimated timelines.
- Create a fact sheet about accessible/Universal Design and/or link to existing resources, such as the RVCOG’s Lifelong Housing Program resources.
- Create an educational workshop for small developers, such as a recorded video or presentation slides.
- Consider a single point-of-contact or staff person to help guide individual projects through the planning and permitting process. This person helps the applicant follow the proper steps and contact the right staff or departments at the right time. (See Strategy 3.4 for more information.)

Issues or Constraints The main constraint for this strategy would be the staff time necessary to compile and present the information. There is uncertainty about the need for information about the permitting process.

Impact

- **Affordability target:** Workforce and market-rate housing
- **Income:** 80 – 120+% AMI
- **Housing tenure/type:** For sale or rent; accessible units
- **Housing impact:**

Implementation Actions

1. Identify staff to prepare the materials.
2. Assemble the educational/informational materials.

3. Contact developers and/or make the info available online and at the permit counter.

Implementing Entity(ies): Lead - City of Albany Community Development Department.

5.4 Conversion of Underperforming or Distressed Commercial Assets

INITIAL PRIORITY: LOW

Description This strategy involves acquisition of underperforming or distressed commercial assets (commercial, retail, industrial, or hotel) or facilitating partnerships with owners of the assets for conversion into needed housing.

Albany has several underutilized commercial buildings, such as stores or other businesses that have closed, that could be appropriate for redevelopment. The City could work with landowners to evaluate opportunities for redeveloping vacant buildings for new housing or mixed use developments.

Implementing this strategy may depend, in part, on use of tools such as TIF funding (Strategy 4.3) to address infrastructure deficiencies or support development of affordable housing.

The City could also consider opportunities for conversion of some ground-floor retail to allow housing on the ground floor. This strategy is connected with Strategy 1.9, Evaluate Mixed Use and Commercial Zones, which suggests the City consider allowing more flexibility for residential uses on the ground floor in certain mixed use and commercial zones where it is currently prohibited.

Legal Basis The City would need to make sure the Development Code allows residential uses on the properties where commercial/non-residential buildings would be converted. This may either require updating the code to allow residential uses in the zone (as part of a larger project) or rezoning the specific property.

Oregon House Bill 3261 (HB 3261, 2021 session) requires jurisdictions to allow the conversion of a hotel or motel to an emergency shelter or affordable housing when certain criteria and standards are met, subject to only “reasonable regulations on siting and design.” HB 3261 requires that all converted housing units be affordable to households earning 60% AMI or less.

- Options and Alternatives**
- Incorporate HB 3261 requirements into the code and/or promote the statutory allowances for converting hotels or motels into housing. The allowances of HB 3261 apply whether or not the City updates its Development Code; however, adding its provisions into the code may make them easier for applicants and staff to interpret. Alternatively, the City could simply promote the statutory provisions—such as through handouts at the permit counter and on the City website—without updating the code.
 - Work with existing property owners to convert their own buildings to housing,

with City support.

- Acquire distressed properties using City funding, such as TIF funds or CDBG.
- Work with a non-profit or for-profit developer to acquire distressed properties and convert them to housing. Provide financial or other programmatic support.
- Work with downtown property owners to upgrade upper floors of commercial buildings for residential use.

Issues or Constraints

- Albany needs commercial development in addition to housing.
- There are very few vacant commercial properties in Albany. This strategy may be better focused on “underperforming” or underutilized properties—such as downtown commercial buildings with vacant upper floors.
- Commercial buildings are not designed for residential occupancy and may face structural or construction-related challenges to being converted for this purpose. This may include laws around electrical and water lines, entry and exit points, and more. Hotels and motels may be the most straightforward properties to convert—and there are many examples of this—because they already have features similar to dwelling units. In addition, older commercial buildings may not meet current Building Code standards, and upgrading them to be code-compliant could be costly.
- Given the challenges associated with conversions, it may also be more challenging to secure financing for the project, as compared to traditional construction or rehabilitation.
- Staff resources are limited to take the lead on this project at this time.

Impact

- **Affordability target:** All income levels
- **Income:** 0 – 120+% AMI
- **Housing tenure/type:** For rent
- **Housing impact:** The potential impact of this project is limited by staff’s capacity to take the lead, the city’s lack of vacant commercial properties, and the challenges associated with upgrading older buildings.

Implementation Actions

1. Inventory vacant, distressed, or underutilized commercial/non-residential buildings.
2. Identify one or more underutilized buildings that could be converted (or partially converted) to residential uses.
3. Discuss interest in converting underutilized buildings to residential uses with the owners or assess the owners’ interest in selling the buildings.
4. Help connect property owners with potential developers.
5. Assist with the development process to make it easier for redevelopment to occur. This may require a rezone from a commercial zone into a mixed-use zone where housing is allowed.
6. Pursue the appropriate process for permitting the reuse of the building(s).

Implementing Entity(ies): Lead - City of Albany Community Development Department. Partners – non-profit or private developers.

5.5 Housing Trust Fund

INITIAL PRIORITY: MEDIUM

Description Affordable housing trust funds are public sector tools used to direct financial resources to support a variety of affordable housing activities. Funds in housing trusts are known for their flexibility, sustainability, and success in addressing critical housing needs.

Housing trust funds are not revenue sources themselves, but rather are tools for consolidating revenue, planning for how the funds are spent, and directing them to housing programs. Funds typically have these three components in common:

1. commit public sources of revenue;
2. create dedicated, ongoing funding for the support of affordable housing;
3. do not depend on interest or earning from a fixed fund, or on contributions from corporations, financial institutions, or foundations.

Public revenue sources vary by jurisdiction, often due to the variation in specific taxes and fees. Common sources include linkage fee programs or development impact fees, document recording fees, and bonds or levies. A Construction Excise Tax (CET) or General Obligation (GO) Bond could be a potential revenue sources (see Strategies 4.1 and 4.2).

Legal Basis The legal backings of a housing trust fund depend on the revenue source, which may be associated with state requirements. ORS 320.170-195 provides limitations and requirements for how CET funds can be spent. Eligible uses of GO bond funds are limited by the Oregon Constitution. Revenue sources that are directed via a city's general fund can be allocated at the discretion of local elected officials.

Options and Alternatives The following examples from other jurisdictions illustrate how a Housing Trust Fund could be funded and implemented:

Ashland, OR: Ashland established an Affordable Housing Trust Fund (AHTF) in 2008. Initially the program dedicated rehabilitation loan repayments to the fund, later a second revenue source was established to ensure a more sustainable program. In 2017 the City Council dedicated portions of the City's revenue from the State Marijuana Tax to the AHTF. The City is now making the fund available to eligible applicants (government subdivisions, community development corporations, local housing authorities, nonprofit organizations, and private employers) to receive up to \$170,000 for affordable housing projects. The funds can be dedicated to

development or conservation, land banking, transitional/emergency housing, and more.¹⁵

Eugene, OR: In 2019, the Eugene City Council passed an ordinance establishing a construction excise tax in Eugene. The tax creates a dedicated source of funding for affordable housing in Eugene, called the Affordable Housing Trust Fund. The fund can be used for projects and programs that increase availability and access to owner- and renter-occupied housing that is affordable to lower-income residents. Since 2020, Eugene’s fund has accomplished the following:¹⁶

- \$1.3 million from AHTF will leverage more than \$48 million to support new affordable housing in Eugene
- Supporting creation of 130 new rental units and 70 new owner-occupied tiny homes
- Kept over 100 local families and individuals in their homes in the wake of the pandemic with rental assistance and foreclosure prevention funds

Issues or Constraints

- This strategy relies on identifying a sustainable funding source with sufficient revenue to have impactful contributions.
- Sources of funding will fluctuate with the strength of the economy and construction.
- There is potentially a high cost to seed the program.
-

Impact

- **Affordability target:** Extremely low to low-income households
- **Income:** 0 – 80% AMI
- **Housing tenure/type:** For rent or sale
- **Housing impact:** See Strategy 4.1, CET and Strategy 4.2, GO Bonds.

Implementation Actions

1. Identify a potential funding source for a Housing Trust Fund.
2. See Strategy 4.1, CET, and Strategy 4.2, GO Bonds, for additional implementation steps.

Implementing Entity(ies): Lead - City of Albany Community Development Department.

¹⁵ City of Ashland. Housing Trust Funds. <https://www.ashland.or.us/Page.asp?NavID=10828>

¹⁶ City of Eugene. Affordable Housing Trust Fund. <https://www.eugene-or.gov/4232/Affordable-Housing-Trust-Fund>

IV. Next Steps

The project team will review the draft housing strategies and background information presented in this document with the Housing Affordability Task Force (HATF) in September 2022.

Following HATF review, community members will have an opportunity to review and comment on the draft housing strategies at a public open house (either virtual or in-person or both) and through an online survey.

The project team will then work with City staff to refine the strategies and to identify more detailed implementation actions for high-priority items. The final product will be a Housing Implementation Plan, which the project team will further refine with HATF input before it goes through the City's adoption process.